

January 9, 2020

SENT VIA CERTIFIED MAIL NO. 7017 0660 0000 0139 4677
Return Receipt Requested

Ethan Hinkley
Aka Energy Group, LLC
125 Mercado Street, Suite 201
Durango, CO 81301

Re: Proposed Early Settlement Agreement in the Matter of Aka Energy Group, LLC
AIRS No.: 123-0098
Case No.: 2019-172

Dear Ethan Hinkley:

Aka Energy Group, LLC ("Aka") owns and operates the natural gas processing facility known as Gilcrest Gas, located at 13472 Weld County Road 40, Weld County, Colorado ("Facility"). The Facility is subject to the terms and conditions of the Colorado Construction Permit Number 07WE0881 Issuance 1, Initial Approval issued to Aka on June 16, 2014 ("Permit Number 07WE0881 Issuance 1"); Colorado Construction Permit Number 07WE0881 Issuance 2, Initial Approval issued to Aka on September 22, 2016 ("Permit Number 07WE0881 Issuance 2"); Colorado Construction Permit Number 07WE0881 Issuance 3, Initial Approval issued to Aka on June 5, 2018 ("Permit Number 07WE0881 Issuance 3"); Colorado Construction Permit Number 07WE0881 Issuance 4, Initial Approval issued to Aka on April 30, 2019 ("Permit Number 07WE0881 Issuance 4"); Colorado Air Quality Control Statutes; and Colorado Air Quality Control Commission ("AQCC") Regulations.

The following equipment is relevant to this enforcement action:

AIRS Point	Facility Equipment ID	Description
001	C-1	One (1) Caterpillar, Model G3516LE, Serial Number WPW01963, natural gas-fired, turbo-charged, 4SLB reciprocating internal combustion engine, site rated at 1297 horsepower at 1400 RPM. This engine shall be equipped with an air-fuel ratio controller and a Non-Selective Catalytic Reduction (NSCR) system for the control of NOx, CO and VOC. This emission unit powers a natural gas compressor.
002	C-6	One (1) Waukesha Model F1197G, Serial Number 87655, natural gas-fired, four-cycle standard rich-burn reciprocating internal combustion engine, site rated at 166 horsepower. This engine is equipped with an air-fuel ratio controller and a Non-Selective Catalytic Reduction (NSCR) system for the control of NOx, CO and VOC. This emission unit powers a natural gas compressor.



003	C-7	One (1) Waukesha Model F1197G, Serial Number 1060271, natural gas-fired, four-cycle standard rich-burn reciprocating internal combustion engine, site rated at 166 horsepower. This engine is equipped with an air-fuel ratio controller and a Non-Selective Catalytic Reduction (NSCR) system for the control of NOx, CO and VOC. This emission unit powers a natural gas compressor.
005	C-3	One (1) White-Superior, Model 8G825, Serial Number 20220, natural gas-fired, four-cycle standard rich-burn reciprocating internal combustion engine, site rated at 708 horsepower. This engine is equipped with an air-fuel ratio controller and a Non-Selective Catalytic Reduction (NSCR) system for the control of NOx and CO and VOC. This emission unit is used for natural gas compression. This emission unit may be used interchangeably with point 033 and emission limits contained in this permit are combined for these points.
007	C-4	One (1) Waukesha, Model L5790GSI, Serial Number C13524/1, natural gas-fired, turbo-charged, 4SRB reciprocating internal combustion engine, site rated at 1215 horsepower at 1200 RPM. This engine shall be equipped with a non-selective catalytic reduction (NSCR) system and air-fuel ratio control. This emission unit is used for natural gas compression.
011	C-2	One (1) Waukesha, Model L7044GSI, Serial Number C-14656/1, natural gas-fired, turbo-charged, 4SRB reciprocating internal combustion engine, site rated at 1680 horsepower at 1200 RPM. This engine shall be equipped with a non-selective catalytic reduction (NSCR) system and air-fuel ratio control. This emission unit is used for natural gas compression.
014	Leaks (KKK)	Fugitive emissions from equipment leaks from existing emission components subject to NSPS subpart KKK.
016	C-5	One (1) Waukesha, Model L5790GSI, Serial Number C13525/1, natural gas-fired, turbo-charged, 4SRB reciprocating internal combustion engine, site rated at 1215 horsepower at 1200 RPM. This engine shall be equipped with a non-selective catalytic reduction (NSCR) system and air-fuel ratio control. This emission unit is used for natural gas compression.
026	Leaks (0000)	Fugitive emissions from equipment leaks subject to NSPS subpart 0000.
033	C-3	One (1) Caterpillar, Model G3508B, Serial Number TBD, natural gas-fired, turbo-charged, 4SLB reciprocating internal combustion engine, site rated at 690 horsepower. This engine shall be equipped with an oxidation catalyst and air-fuel ratio control. This emission unit is used for natural gas compression. This emission unit may be used interchangeably with point 005 and emission limits contained in this permit are combined for these points.
035	EG	One (1) Ethylene Glycol (EG) natural gas dehydration unit (Make: TBD, Serial Number: TBD) with a design capacity of 20 MMscf per day. This emissions unit is equipped with one (1) (Make: TBD, Model: TBD) electric driven glycol pump and one (1) backup pump with a design capacity of 10 gallons per minute. This dehydration unit is equipped with a still vent, flash tank, and reboiler burner.



		Emissions from the still vent are routed to an air-cooled condenser, and then to the Thermal Oxidizer. Emissions from the flash tank are routed directly to the Thermal Oxidizer.
034	G-1	Three (3) Caterpillar, Model G3516C, Serial Number: TBD, natural gas-fired, turbo-charged, 4SLB reciprocating internal combustion engine, site rated at 2088 horsepower each. These engines shall be equipped with oxidation catalysts and air-fuel ratio controllers. These emission units are used for electricity generation. Emission limits contained in this permit are combined for these points.
037	G-2	
038	G-3	

On December 11, 2018, Steve Riley, of the Colorado Air Pollution Control Division ("Division"), inspected the Facility. Based on the inspection, and a review of records related to the Facility, the Division issued a Compliance Advisory to Aka on October 3, 2019. On November 13, 2019, the Division and Aka met to discuss the issues identified in the Compliance Advisory.

Based upon a review of the inspection, records related to the Facility, and the information provided by Aka, the Division has determined the following:

- A. Pursuant to Permit Number 07WE0881 Issuance 1, Condition 8 and Permit Number 07WE0881 Issuance 2, Condition 8, emissions of air pollutants shall not exceed the limitations listed in the permit. Pursuant to Permit Number 07WE0881 Issuance 1, Condition 10 and Permit Number 07WE0881 Issuance 2, Condition 12, the operator shall calculate actual emissions from this emissions point based on representative component counts for the facility with the most recent gas analysis, as required in the Compliance Testing and Sampling section of this permit. Pursuant to Permit Number 07WE0881 Issuance 1, Condition 48 and Permit Number 07WE0881 Issuance 2, Condition 45, on an annual basis, the owner or operator shall complete an extended gas analysis of gas samples that are representative of VOC and HAP that may be released as fugitive emissions. This extended gas analysis shall be used in the compliance demonstration as required in the Emission Limits and Records section of this permit. Aka performed an extended gas analysis for AIRS Points 014 and 026 on June 16, 2015, and therefore was required to perform another annual analysis by June 16, 2016. Aka did not perform the next analysis until June 20, 2017, therefore, emissions for AIRS Points 014 and 026 cannot be accurately calculated for the time period of June 16, 2016 to June 20, 2017. From June 16, 2016 to June 20, 2017, Aka failed to calculate emissions for AIRS Points 014 and 026 based on an annual gas analysis as required, and therefore also failed to demonstrate compliance with the AIRS Point 014 and 026 emission limits, violating Permit Number 07WE0881 Issuance 1, Conditions 8 and 10 and Permit Number 07WE0881 Issuance 2, Conditions 8 and 12.
- B. Pursuant to Permit Number 07WE0881 Issuance 1, Condition 38; Permit Number 07WE0881 Issuance 2, Condition 39; and Permit Number 07WE0881 Issuance 3, Condition 39, for AIRS Points 001, 002, 003, 005, 007, 011, 016, 033, 034, 035, 037 and 038, upon startup of these points, the owner or operator shall follow the most recent operating and maintenance (O&M) plan and record keeping format approved by the Division, in order to demonstrate compliance on an ongoing basis with the requirements of this permit. On August 15, 2012, Aka submitted O&M plans for AIRS Points 001, 002, 003, 005, 007, 011, and 016. On November 6, 2013, Aka submitted O&M plans for AIRS Points 001, 002, 003, 011, 007 and 016. On August 15, 2016 the Division approved an O&M plan for AIRS Points 001, 002, 003, 005, 007, 011, 016, 032 and 033 that Aka submitted on March 16, 2016. On May 21, 2018, the Division approved an O&M plan for AIRS Points 005 and 011 and an O&M plan for AIRS Points 034, 037, and 038 that Aka submitted on August 30, 2017.



- i. The O&M plans for AIRS Points 001, 002, 003, 005, 007, 011 and 016 require portable analyzer testing to be performed quarterly. In 2016, Aka began performing portable analyzer tests semi-annually instead of quarterly due to a misunderstanding regarding the effective date of the August 15, 2016 O&M plan. Aka failed to perform quarterly portable analyzer tests for AIRS Points 001, 002, 003, 005, 007, 011, 016, 032 and 033 from 2016 through 2019, violating Permit Number 07WE0881 Issuance 1, Condition 38.
- ii. The O&M plans require daily monitoring to ensure the pre-catalyst temperature stays within the range of 750°F to 1250°F. If the temperature is outside of this range then appropriate maintenance activities shall be performed. For the temperature recordings outside the permitted range indicated in Table 1, Aka did not perform appropriate maintenance activities. Aka failed to perform appropriate maintenance activities for AIRS Point 002, violating Permit Number 07WE0881 Issuance 1, Condition 38; and failed to perform appropriate maintenance activities for AIRS Point 005 and failed to monitor and document catalyst temperature for AIRS Points 034, 037 and 038, violating Permit Number 07WE0881 Issuance 3, Condition 39.

Table 1		
AIRS Point	Weeks With Missing Catalyst Readings Week of:	Weeks With Catalyst Temperature Readings Outside 750°F and 1250°F for RB
002	No Missed Readings	2/29/16 - 3/21/16, 4/16/16, 4/28/16, 5/2/16, 5/7/16
005	No Missed Readings	6/17/18
034	2018 Records not provided	2018 Records not provided
037	2018 Records not provided	2018 Records not provided
038	2018 Records not provided	2018 Records not provided

- iii. The O&M plans require weekly monitoring of the Air-Fuel Ratio Controller 02 sensor millivolt reading. Aka failed to perform and document weekly monitoring of the millivolt reading for AIRS Points 002 and 011 as detailed in Table 2 below, violating Permit Number 07WE0881 Issuance 1, Condition 38; Permit Number 07WE0881 Issuance 2, Condition 39; and Permit Number 07WE0881 Issuance 3, Condition 39.

Table 2	
AIRS Point	Weeks With Missing O2 mV Readings Week of:
002	5/31-6/6/16, 6/14-6/27/16, 5/8-6/4/18, and 6/12/-6/19/18
011	10/11-10/17/16

- iv. The O&M plans for AIRS Points 002, 003, 034, 037 and 038 require monthly monitoring of catalyst differential pressure. The pressure drop shall not exceed two inches of water column from the baseline value. Aka began operating AIRS Points 034, 037 and 038 on June 21, 2018. Aka failed to perform and document the monthly catalyst differential pressure monitoring as detailed in Table 3 below, violating Permit Number 07WE0881 Issuance 2, Condition 39; and Permit Number 07WE0881 Issuance 3, Condition 39.



Table 3		
AIRS Point	Months missing records	Months pressure drop exceeded 2 inches
002	May 2018	NA
003	Sept and Nov 2018	NA
034	2018 Records not provided	2018 Records not provided
037	2018 Records not provided	2018 Records not provided
038	2018 Records not provided	2018 Records not provided

- v. The O&M plan for AIRS Points 034, 037 and 038 requires the schedule for portable analyzer testing to begin upon engine startup. If an engine is to be tested quarterly, then the engine shall be tested twice within the first 180 days of operation, with the first test within the first 90 days of operation. Aka began operating AIRS Points 034, 037 and 038 on June 21, 2018, therefore portable analyzer tests were required by September 19, 2018 and again by December 18, 2018. Aka did not conduct a portable analyzer test for AIRS Points 034, 037 and 038 until December 2018. Aka failed to perform portable analyzer tests for AIRS Points 034, 037 and 038 within the first 90 days of operation and twice within the first 180 days of operating, violating Permit Number 07WE0881 Issuance 3, Condition 39.
- C. Pursuant to Permit Number 07WE0881 Issuance 3, Condition 8, emissions of air pollutants shall not exceed the permitted limitations. Pursuant to Permit Number 07WE0881 Issuance 3, Condition 10, for AIRS Point 035, compliance with the emission limits in this permit shall be demonstrated by running the GRI GlyCalc model version 4.0 or higher on a monthly basis using the most recent wet gas analysis and recorded operational values (including gas throughput, lean glycol recirculation rate and other operational values specified in the O&M Plan). Aka began operating AIRS Point 035 on June 21, 2018, but did not begin monthly GRI GlyCalc model runs until December 6, 2018, (demonstrating compliance with the emission limits starting November 2018). Aka failed to perform monthly GRI GlyCalc model runs for AIRS Point 035 from June through November 2018, therefore failed to demonstrate compliance with the permitted emissions limits from June through October 2018, violating Permit Number 07WE0881 Issuance 3, Conditions 8 and 10.
- D. Pursuant to Permit Number 07WE0881 Issuance 3, Condition 49.e and AQCC Regulation 3, Part A, § II.C.3.a, a revised Air Pollutant Emission Notice ("APEN") shall be filed no later than 30 days before the existing APEN expires. Aka submitted the previous APEN for AIRS Point 003 on December 3, 2013, therefore a revised APEN was due no later than November 3, 2018. Aka failed to submit a revised APEN for AIRS Point 003 until February 1, 2019, violating Permit Number 07WE0881 Issuance 3, Condition 49.e and AQCC Regulation 3, Part A, § II.C.3.a.

Based on information provided by Aka, the Division will no longer pursue enforcement for the issues identified in Paragraphs C and D of the Compliance Advisory issued on October 3, 2019.

The Colorado Air Pollution Prevention and Control Act, at § 25-7-122(1)(b), C.R.S., specifies that the penalty for such violations may be up to Fifteen Thousand Dollars (\$15,000.00) per day for each violation. The monetary amount of the Division's settlement offer specified below is derived from a pre-established schedule of penalties, which takes into account, among other factors, the magnitude and severity of the violation, cooperation of the company, as well as the prior history of violations of air quality requirements associated with any of the company's facilities/operations in the State of Colorado (including a company's parent or subsidiary relations, if applicable). Settlement offers are based on the evaluation of the same factors and criteria in all cases. Based upon Aka's



cooperation, and its efforts to bring its operations into compliance with the regulations and permit conditions identified above, the Division acknowledges that Aka has appropriately and adequately addressed all compliance issues identified above. In the interest of settling the matters cited herein, the Division therefore offers the following settlement in accordance with the Division's settlement policy.

1. Payment of a reduced penalty in the sum of **Thirty-Seven Thousand One Hundred Dollars (\$37,100.00)**. Payment of the penalty precludes further enforcement by the Division for the above-described violation against Aka. The Division retains its authority to take enforcement actions based on any and all violations not specifically described above.
2. Entering into this settlement shall not constitute an admission of violation of the air quality laws, or the alleged facts relating thereto, nor shall any third party infer it to be such an admission in any administrative or judicial proceeding. However, Aka agrees not to challenge the factual or legal determinations herein, the Division's authority to bring, or the court's jurisdiction to hear, any action, insofar as it pertains to the matters contained herein, to enforce the terms of this settlement agreement. The described violation will constitute part of Aka's compliance history for any purpose for which such history is relevant.

This letter constitutes an offer of settlement and is not a demand for payment. Please contact me if you wish to discuss this offer of settlement. We remain willing to consider any information you wish to submit related to the violation. Please be advised, however, that the offer of settlement contained in this letter is predicated on resolving this matter within fifteen (15) days of the date of this settlement proposal letter. If you elect to continue the negotiation of this matter beyond that date, this offer shall be deemed withdrawn, and any penalty mitigation built into this settlement proposal may be revoked. If you require additional time to evaluate this settlement proposal or discuss remaining issues with the Division, however, please contact me regarding your request for an extension of the offer. Any extension of the offer, if agreed to by the Division, must be confirmed, in writing, by the Division.

If the above terms are acceptable to you, please have the appropriate person sign and return this letter and send a check in the sum of **\$37,100.00**, made payable to the Colorado Department of Public Health and Environment, to

**Air Pollution Control Division
Attn: Heather Wuollet
4300 Cherry Creek Drive South
APCD-SS-B1
Denver, Colorado 80246-1530**

This offer of settlement, upon being fully endorsed by both the Division and Aka, shall constitute full and final resolution of the noncompliance issues identified herein and in the Compliance Advisory issued to Aka.

You may write or call to request a settlement conference if you wish to discuss the matter with representatives of the Division's compliance staff. If we do not receive a response from you within fifteen (15) days of the date of this letter, we will assume that you are not interested in resolving this matter as outlined above. Please call me, at 303-692-3259, or Heather Wuollet, at 303-692-3198, if you have any further questions regarding this matter.



Sincerely,


Shannon McMillan

Compliance and Enforcement Program Manager

I certify that I am authorized by Aka to execute this settlement agreement and bind Aka, and any affiliated entities, to the terms and conditions of this agreement. I have read the above settlement and agree to the terms and conditions of this offer.

Name: Coy BRYANT

Title: ACTING PRESIDENT/COO


Signature

970-764-6900
Telephone Number

1/22/2020
Date

cc: Shannon McMillan, APCD
Jennie Morse, APCD
Heather Wuollet, APCD
Chris Laplante, APCD
Michael Stovern, EPA (Region VIII)

Steve Riley, APCD
Jen Mattox, APCD
Tom Lovell, APCD
Tom Roan, Attorney General's Office
File

